

KANE COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2004

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Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of County Commissioners
Kane County
Kanab, Utah 84741

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kane County as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kane County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kane County as of December 31, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2005, on our consideration of Kane County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, condition assessment of the County's infrastructure and budgetary comparison information on pages 6 through 14, 49 and 50 through 55 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Board of County Commissioners
Kane County
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kane County's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Kane County. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

March 4, 2005
Richfield, Utah

KANE COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of Kane County's financial performance provides an overview of the County's financial activities for the year ending December 31, 2004. This report is in conjunction with the County's financial statements.

All amounts, unless otherwise indicated, are expressed in thousands of dollars.

The purpose of the County is to provide general services to its residents which includes general government, public safety, public health, highways and public improvements, park and recreation, and economic development. Additional services provided to residents in the unincorporated areas include road maintenance and fire control.

Financial Highlights

- * The assets of Kane County exceeded its liabilities as of the close of the most recent year by \$25,688 (*net assets*). Of this amount, \$2,720 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets decreased by \$231. The revenues did not meet or exceed the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- * At the close of the current year, the Kane County governmental funds reported combined ending fund balances of \$5,444, a decrease of \$390 in comparison with the prior year. Approximately 47 percent of this total amount, \$2,846 is available for spending at the government's discretion (*unreserved fund balance*).
- * At the end of the current year, unreserved fund balance for the general fund was \$1,167, or 32 percent of total general fund expenditures.
- * Kane County's total debt decreased by \$507 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Kane County's basic financial statements. Kane County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Kane County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Kane County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Kane County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Kane County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Kane County include general government, public safety, public health, highways and public improvements, parks and recreation, and economic development. There are no business-type activities in the financial statements of Kane County.

The government-wide financial statements include not only Kane County itself (*known as the primary government*) but also seven legally separate special service districts, one for recreation and transportation, four for municipal services, one is for the landfill and one is for the operation of the Kane County Hospital. Kane County is financially accountable for all of them. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kane County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Kane County can be divided into two categories: governmental funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Kane County maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, B-Road Fund, Hospital Fund and Municipal Building Authority Fund, all of which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Kane County adopts an annual appropriated budget for all its governmental funds. Budgetary comparison statements have been provided for the general fund and major special revenue funds to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those fund are *not* available to support Kane County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Refer to the table of contents for the location of the basic fiduciary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Kane County.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Kane County, assets exceeded liabilities by \$25,688 at the close of the most recent fiscal year.

By far the largest portion of Kane County's net assets (79 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. Kane County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Kane County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities:**Kane County's Net Assets**

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Current and Other Assets	5,878	5,957	5,494
Capital Assets	<u>23,880</u>	<u>23,920</u>	<u>23,199</u>
Total Assets	<u>29,758</u>	<u>29,877</u>	<u>28,693</u>
Long-Term Liabilities Outstanding	1,365	2,974	2,829
Other Liabilities	<u>1,247</u>	<u>557</u>	<u>177</u>
Total Liabilities	<u>2,612</u>	<u>3,531</u>	<u>3,006</u>
Net Assets:			
Invested in Capital Assets - Net of Related Debt	21,728	22,517	20,370
Restricted	3,210	3,105	2,598
Unrestricted	<u>2,205</u>	<u>703</u>	<u>2,720</u>
Total Net Assets	<u>27,143</u>	<u>26,325</u>	<u>25,688</u>

A portion of Kane County's net assets (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,720) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Kane County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities decreased Kane County's net assets by \$231. Key elements of this decrease follows:

Kane County's Changes In Net Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues:			
Program Revenues:			
Charges For Services	1,032	1,526	1,007
Operating Grants and Contributions	<u>1,990</u>	<u>2,169</u>	<u>2,259</u>
General Revenues:			
Property Taxes	1,570	1,101	1,844
Other Taxes	1,716	2,240	1,719
Unrestricted Investment Earnings	77	-	130
Other	<u>235</u>	<u>97</u>	<u>393</u>
Total Revenues	<u>6,620</u>	<u>7,133</u>	<u>7,352</u>

Kane County's Changes in Net Assets (Continued)

	2002	2003	2004
Expenses:			
General Government	2,390	2,670	2,806
Public Safety	1,335	1,303	1,820
Public Health	662	558	737
Highways and Public Improvements	1,293	1,158	1,702
Contributions	-	1,625	31
Parks and Recreation	109	196	50
Economic Development/County Promotion	287	338	318
Interest on Long-Term Debt	91	105	119
Landfill	24	-	-
	<u>6,191</u>	<u>7,953</u>	<u>7,583</u>
 Total Expenses			
	429	(820)	(231)
Increase in Net Assets			
Net Assets - Beginning	26,716	27,145	26,325
Prior Period Adjustment	-	-	(406)
	<u>27,145</u>	<u>26,325</u>	<u>25,688</u>
Net Assets - End			

Charges for services decreased by \$151

Operating grants increased by \$90.

Property taxes increased by \$73.

Other taxes increased by \$125 of which the majority was sales tax. This increase results from increased taxable sales in the County.

Business-Type Activities

There were no business-type activities.

Financial Analysis of the Government's Funds

As noted earlier, Kane County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Kane County's *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Kane County's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Kane County's governmental funds reported combined ending fund balances of \$5,444, a decrease of \$390 in comparison with the prior year. Approximately 52 percent of this amount \$2,846 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to highways and public improvements (\$2,562) and to Other Funds (\$36).

The general fund is the chief operating fund of Kane County. At the end of the current year, unreserved fund balance of the general fund was \$1,167, while total fund balance reached \$1,167. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

General Fund Budgetary Highlights

During the year the actual revenues were less than budgeted revenues by \$250 and actual expenditures were less than budgeted expenditures by \$380.

Capital Asset and Debt Administration

Capital Assets

Kane County's investment in capital assets for its governmental activities as of December 31, 2004, amounts to \$23,199 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways and bridges.

Also, the County has elected to use the modified approach to account for its infrastructure assets, such as roads and bridges. That information can be found in the required supplemental information following the notes to the financial statements.

Kane County's Capital Assets (net of depreciation)

	2003	2004
Land	994	994
Infrastructure	8,926	8,926
Rights of Way	6,570	6,570
Buildings	5,427	5,159
Equipment	2,003	1,550
Total	23,920	23,199

Additional information on Kane County's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, Kane County had total bonded debt outstanding of \$2,724. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Kane County's Outstanding Debt

	<u>2003</u>	<u>2004</u>
1996 Revenue Bonds	96	-
2002 CIB Revenue Bonds	1,000	1,000
2003 Kane County Hospital Revenue Bonds	<u>2,115</u>	<u>1,724</u>
Total	<u>3,211</u>	<u>2,724</u>

Kane County paid the outstanding General Obligation Bond on the hospital in full in 2003, using part of the bond proceeds from a 2.5 million revenue bond obtained based on the 1% hospital sales tax.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2 percent of its total fair market value of taxable property in the County (\$837,866). The current debt limitation for Kane County has no general obligation debt still outstanding with the 2003 retirement of the Series 1996 Hospital Bond. General Obligation Bonds are debts that are secured by taxing real and personal property for the payments. Revenue Bonds are debts secured by a determined and allocated revenue source outside of property taxes.

Additional information on Kane County's long-term debt can be found in the notes of the financial statements.

Economic Factors and Next Year's Budgets and Rates

- * The unemployment rate for Kane County is 5.0. This is slightly higher than the State's average unemployment rate of 4.8 percent and lower than the national average rate of 5.4 percent which is consistent with prior years because of our rural nature.

These factors were considered in preparing Kane County's budget for 2005 year.

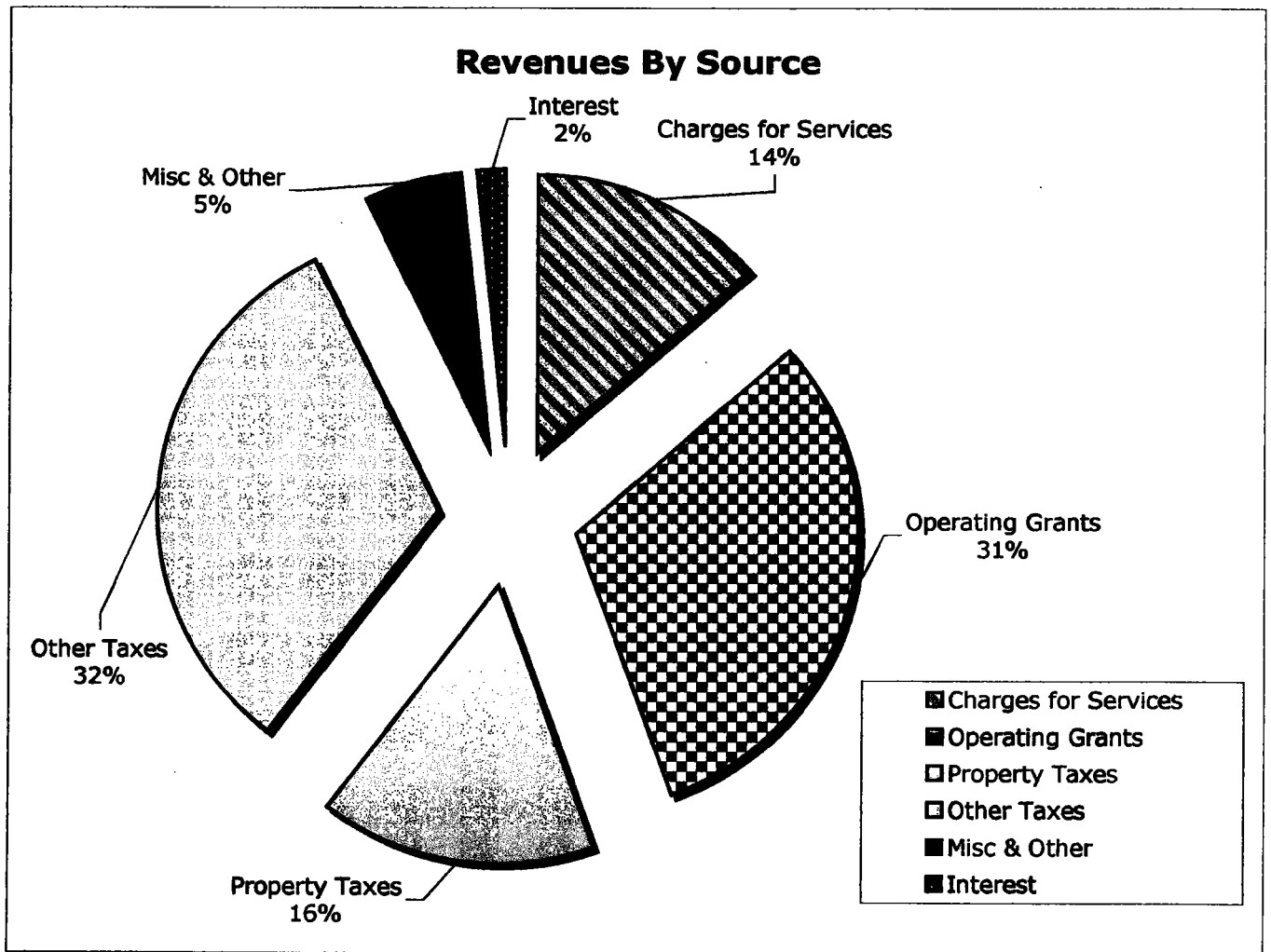
Other revenue sources have remain stable.

Request for Information

This financial report is designed to provide a general overview of Kane County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Kane County Clerk/Auditor, 76 North Main, Kanab, Utah, 84741.

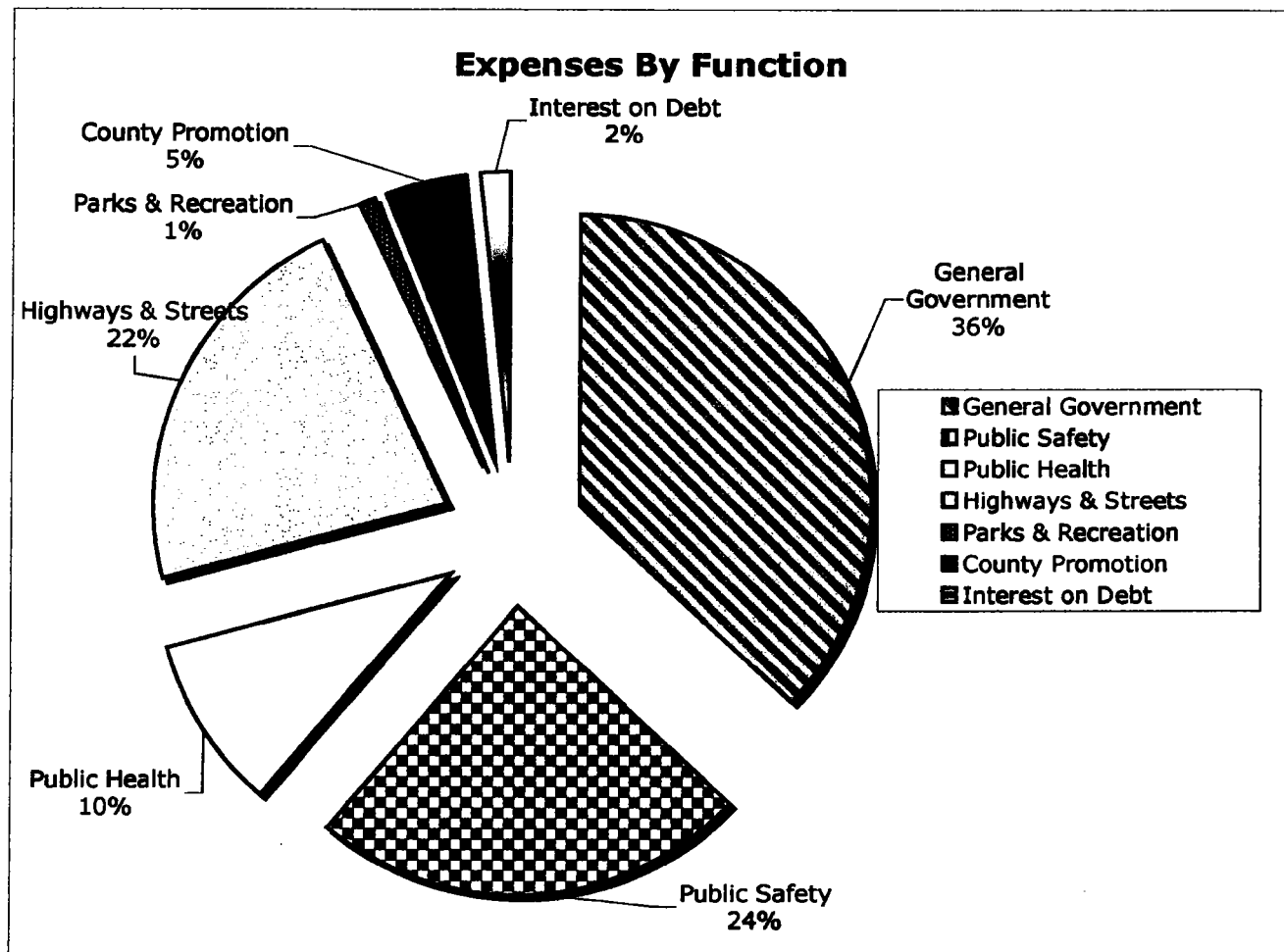
**Kane County
Revenues By Source
For The Year Ended December 31, 2004**

Charges for Services	1,007,397
Operating Grants	2,258,882
Property Taxes	1,156,150
Other Taxes	2,406,623
Misc & Other	393,152
Interest	129,735
	<hr/>
Total	<u><u>7,351,939</u></u>



**Kane County
Expenses By Function
For The Year Ended December 31, 2004**

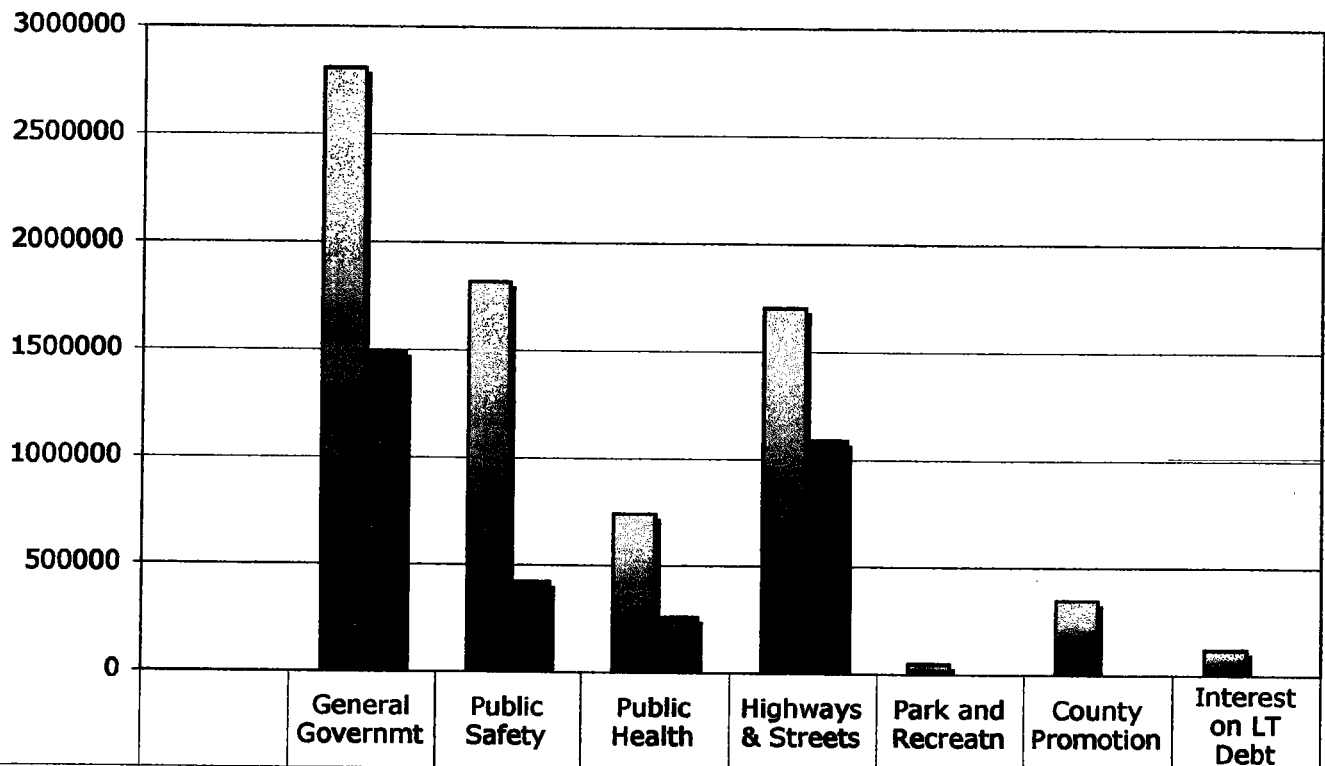
General Government	2,805,908
Public Safety	1,820,162
Public Health	737,055
Highways & Streets	1,701,440
Parks & Recreation	50,435
County Promotion	348,970
Interest on Debt	119,306
Total	<u>7,583,276</u>



**Kane County
Program Expenses and Revenues
For The Year Ended December 31, 2004**

	Program	
	Expenses	Revenues
General Governmt	2,805,908	1,493,149
Public Safety	1,820,162	423,022
Public Health	737,055	261,866
Highways & Streets	1,701,440	1,088,242
Park and Recreatn	50,435	
County Promotion	348,970	
Interest on LT Debt	119,306	
Totals	7,583,276	3,266,279

Program Expenses & Revenues



Expenses		2,805,90	1,820,16	737,055	1,701,44	50,435	348,970	119,306
Revenues		1,493,14	423,022	261,866	1,088,24			

■ Expenses ■ Revenues

BASIC FINANCIAL STATEMENTS

**KANE COUNTY
STATEMENT OF NET ASSETS**

December 31, 2004

	Primary Government Governmental Activities	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	5,078,144	2,379,172
Accounts Receivable	-	2,059,183
Due From Other Government Units	415,778	67,068
Inventory	-	97,598
Prepaid Expenses	-	38,051
Total Current Assets	<u>5,493,922</u>	<u>4,641,072</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	336	1,029,940
Bond Costs (Net)	-	54,091
Note Receivable	-	161,436
Capital Assets (Net of Accumulated Depreciation):		
Land	994,336	249,314
Buildings	5,159,156	4,168,580
Equipment	1,108,163	1,443,924
Vehicles	441,843	2,196,255
Rights of Way	6,569,819	-
Infrastructure	8,925,738	-
Total Noncurrent Assets	<u>23,199,391</u>	<u>9,303,540</u>
TOTAL ASSETS	<u>28,693,313</u>	<u>13,944,612</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	19,895	526,385
Accrued Liabilities	30,613	302,282
Deferred Revenue	-	153,375
Bond Interest Payable	35,000	-
Capital Leases Payable - Due Within One Year	34,214	-
G. O. Bonds Payable - Due Within One Year	-	453,153
Revenue Bonds Payable - Due Within One Year	462,153	45,334
Total Current Liabilities	<u>581,875</u>	<u>1,480,529</u>
Noncurrent Liabilities:		
Capital Leases Payable - More Than One Year	35,584	-
G. O. Bonds Payable - More Than One Year	-	2,037,275
Revenue Bonds Payable - More Than One Year	2,262,275	471,645
Estimated Closure and Postclosure Costs	-	59,500
Compensated Absences	126,020	-
Total Noncurrent Liabilities	<u>2,423,879</u>	<u>2,568,420</u>
TOTAL LIABILITIES	<u>3,005,754</u>	<u>4,048,949</u>
NET ASSETS		
Investment in Capital Assets, Net of Debt	20,369,829	5,081,966
Restricted	2,597,989	828,740
Unrestricted	2,719,741	3,984,957
TOTAL NET ASSETS	<u>25,687,559</u>	<u>9,895,663</u>
TOTAL LIABILITIES AND NET ASSETS	<u>28,693,313</u>	<u>13,944,612</u>

The notes to the financial statements are an integral part of this statement.

KANE COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2004

Function/Programs Primary Government:	Net (Expense) Revenues and Changes in Net Assets				
	Program Revenues		Primary Government		Component Units
	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Governmental Activities	
Expenses				Total	
2,805,908	750,122	743,027	-	(1,312,759)	-
1,820,182	216,437	206,585	-	(1,397,140)	-
737,055	-	261,866	-	(475,189)	-
1,701,440	40,838	1,047,404	-	(613,198)	-
50,435	-	-	-	(50,435)	-
348,970	-	-	-	(348,970)	-
119,306	-	-	-	(119,306)	-
7,583,276	1,007,397	2,258,882	-	(4,316,997)	-
7,583,276	1,007,397	2,258,882	-	(4,316,997)	-
Total Primary Government					
Component Units:					
Cedar Mountain Fire District	156,402	4,961	-	-	(19,821)
Western Kane District	510,350	618,634	-	-	108,284
Hospital District	6,995,942	6,145,061	-	-	(850,881)
Church Wells District	41,819	54,983	-	-	13,164
Glen Canyon District	165,840	149,279	-	-	(15,511)
East Zions District	129,453	131,536	-	-	129,926
Total Component Units	7,999,806	7,104,454	-	-	(634,839)
General Revenues:					
Property Taxes				1,156,150	-
Fee-In-Lieu of Property Taxes				256,252	-
Assessing and Collecting Taxes				385,908	-
Sales Taxes				1,329,528	992,188
Penalties and Interest				45,402	-
Restaurant Tax				88,577	-
Transient Room Tax				300,956	-
Property Assessment Fees				-	517,655
Grants and Contributions Not Restricted to Specific Programs				-	245,010
Unrestricted Investment Earnings				129,735	36,173
Gain on Trade-In of Capital Assets				35,904	-
Miscellaneous				357,248	-
Total General Revenues and Transfers				4,085,660	1,791,026
Change in Net Assets				(231,337)	1,156,187
Net Assets - Beginning				26,325,455	8,739,476
Prior Period Adjustment				(406,559)	-
Net Assets - Ending				25,687,559	9,895,663

The notes to the financial statements are an integral part of this statement.

**KANE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2004

	General Fund	Class B Roads	Courthouse MBA	Hospital	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	1,188,841	2,315,025	1,128,045	55,881	390,352	5,078,144
Restricted Cash - Bond Reserves	-	-	-	-	336	336
Due From Other Government Units	18,371	252,249	-	-	145,158	415,778
TOTAL ASSETS	<u>1,207,212</u>	<u>2,567,274</u>	<u>1,128,045</u>	<u>55,881</u>	<u>535,846</u>	<u>5,494,258</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accrued Liabilities	17,459	74	-	-	2,362	19,895
Accounts Payable	23,065	4,978	-	-	2,570	30,613
Total Liabilities	<u>40,524</u>	<u>5,052</u>	<u>-</u>	<u>-</u>	<u>4,932</u>	<u>50,508</u>
Fund Balances:						
Reserved For:						
Class "B" Road	-	2,562,222	-	-	-	2,562,222
Transient Room Tax	-	-	-	-	35,431	35,431
Debt Service	-	-	-	-	336	336
Unreserved, Reported In:						
General Fund	1,166,688	-	-	-	-	1,166,688
Special Revenue Funds	-	-	1,128,045	55,881	495,147	1,679,073
Total Fund Balance	<u>1,166,688</u>	<u>2,562,222</u>	<u>1,128,045</u>	<u>55,881</u>	<u>530,914</u>	<u>5,443,750</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>1,207,212</u>	<u>2,567,274</u>	<u>1,128,045</u>	<u>55,881</u>	<u>535,846</u>	<u>5,494,258</u>

The notes to the financial statements are an integral part of this statement.

KANE COUNTY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

December 31, 2004

Total Fund Balances - Governmental Fund Types	5,443,750
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	994,336
Buildings	5,159,156
Equipment	1,108,163
Vehicles	441,843
Rights of Way	6,569,819
Infrastructure	<u>8,925,738</u>

Total	23,199,055
-------	------------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Bond Interest Payable	(35,000)
Capital Leases Payable	(69,798)
Revenue Bonds Payable	(2,724,428)
Compensated Absences	<u>(126,020)</u>

Total	<u>(2,955,246)</u>
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Net Assets of Government Activities	<u><u>25,687,559</u></u>
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KANE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended December 31, 2004

	General Fund	Class B Roads	Courthouse MBA	Hospital	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	1,843,712	-	-	992,570	-	2,836,282
Sales Taxes	336,958	-	-	-	389,533	726,491
Licenses and Permits	219,340	-	-	-	-	219,340
Intergovernmental	815,022	1,043,259	-	134,137	262,319	2,254,737
Charges for Services	326,219	40,838	-	-	87,144	454,201
Fines and Forfeitures	338,000	-	-	-	-	338,000
Interest	14,438	74,476	32,000	2,739	6,083	129,736
Miscellaneous	46,507	-	6,350	-	304,391	357,248
Total Revenues	3,940,196	1,158,573	38,350	1,129,446	1,049,470	7,316,035
Expenditures:						
Current:						
General Government	2,337,875	-	-	-	168,753	2,506,628
Public Safety	1,283,437	-	230,776	-	218,888	1,733,101
Public Health	44,744	-	-	626,682	168,728	840,154
Highways and Public Improvements	12,780	1,650,143	-	-	-	1,662,923
Parks and Recreation	40,037	-	-	-	2,358	42,395
County Promotion	31,003	-	-	-	317,967	348,970
Debt Service:						
Principal	-	-	-	390,608	96,000	486,608
Interest	-	-	-	80,350	4,838	85,188
Total Expenditures	3,749,876	1,650,143	230,776	1,097,640	977,532	7,705,967
Excess of Revenues Over (Under) Expenditures	190,320	(491,570)	(192,426)	31,806	71,938	(389,932)
Other Financing Sources (Uses):						
Transfers In	-	-	-	-	60,396	60,396
Transfers Out	(60,396)	-	-	-	-	(60,396)
Total Other Financing	(60,396)	-	-	-	60,396	-
Net Change in Fund Balance	129,924	(491,570)	(192,426)	31,806	132,334	(389,932)
Fund Balance - Beginning	1,036,764	3,053,792	1,320,471	24,075	398,580	5,833,682
Fund Balance - Ending	1,166,688	2,562,222	1,128,045	55,881	530,914	5,443,750

The notes to the financial statements are an integral part of this statement.

KANE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2004

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	(389,932)
---	-----------

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

Capital Outlays	282,699	
Depreciation Expense	<u>(633,169)</u>	
Total		(350,470)

The issuance of long-term debt (e.g., bonds, leases) provide current financial
resources to governmental funds, while the repayment of the principal of
long-term debt consumes the current financial resources of governmental funds.
Neither transaction, however, has any effect on net assets. This amount is the
net effect of these differences in the treatment of long-term debt and related items:

Payments on Long-Term Debt	518,724	
Increase in Accrued Interest Payable	(34,118)	
Increase in Compensated Absences	<u>(11,445)</u>	
Total		473,161

Some expenses reported in the statement of activities do not require the use of
current financial resources and, therefore, are not reported as expenditures in
governmental funds:

Gain on Trade-In of Equipment		<u>35,904</u>
Changes In Net Assets of Governmental Activities		<u><u>(231,337)</u></u>

**KANE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND**

December 31, 2004

ASSETS:

Cash and Investments	465,502
Taxes Receivable	<u>32,030</u>
TOTAL ASSETS	<u><u>497,532</u></u>

LIABILITIES:

Collections Payable	97,354
Due to Taxing Units	<u>400,178</u>
TOTAL LIABILITIES	<u><u>497,532</u></u>

**KANE COUNTY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Kane County have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended December 31, 2004.

A. Reporting Entity

For financial reporting purposes, Kane County has included all funds. The County has also considered all potential component units for which it is financially accountable and that exclusion would cause the County's financial statements to be misleading or incomplete. Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include (1) appointing a voting majority of an organization's governing body and (2) the ability of the County to impose its will on that organization or (3) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

As required by generally accepted accounting principles, these financial statements present Kane County (the primary government) and its component units. The component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County. Complete financial statements of the individual component units, that issued separate financial statements, can be obtained from the Kane County Auditor's office.

Discrete Component Units:

These component units are entities which are legally separate from the County, but are financially accountable to the County or whose relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The County must approve their tax rates and debt. The County could also take away their operating authority and could dissolve the District. Each of these districts was organized under the State of Utah's Statute for special service districts, Section 17A-2-1300. The component units column of the combined financial statements include the financial data of the following entities:

- * Cedar Mountain Fire Protection District (Governmental Fund Type) - This District was organized by the Kane County Commissioners under the laws of the State of Utah on March 13, 1995. The District operates under a board of directors and provides fire protection to the residents of the District. A copy of the report can be obtained at the Kane County Auditor's office in Kanab, Utah.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- * Kane County Recreation and Transportation Special Service District (Governmental Fund Type) - This District was organized by the Kane County Commissioners under the laws of the State of Utah on October 1, 1996. The District operates under a board of directors and provides recreation and transportation capital projects, exclusive of electronic sites, on a County wide basis. There was no activity during 2004.
- * Western Kane County Special Service District #1 (Proprietary Fund Type) - This District was organized by the Kane County Commissioners under the laws of the State of Utah. The District operates under a board of directors and provides garbage disposal and television signal reception to the residents of Kane County. The District was audited by other independent auditors, and their report, dated May 24, 2005, has been previously issued under separate cover. A copy of the report can be obtained at the Kane County Auditor's office in Kanab, Utah.
- * Glen Canyon Special Service District #1 (Proprietary Fund Type) - This District was created July 31, 1979 by resolution of the County Commission of Kane County, Utah, as an enterprise fund. The five board members were appointed by the County Commissioners. The District was created to provide water utility service to the Town of Big Water, Utah. The District was audited by other independent auditors, and their report dated June 22, 2005, has been previously issued under separate cover. A copy of the report can be obtained at the Kane County Auditor's office in Kanab, Utah.
- * Kane County Human Resource Special Service District, dba Kane County Hospital (Proprietary Fund Type) - This District was established under provisions of Utah Special Service District Act. The District is governed by a seven member Board of Trustees initially appointed by the Kane County Board of Commissioners. After initial appointment, voting board members will be elected for four-year terms. The Board of Trustees has charge of the administration, maintenance and control of the Special Service District, dba Kane County Hospital which consists of a hospital, ambulatory care facility, and an ambulance service. The District was audited by other independent auditors, and their report, dated April 8, 2005, has been previously issued under separate cover. A copy of the report can be obtained at the Kane County Auditor's office in Kanab, Utah.
- * Church Wells Special Service District (Proprietary Fund Type) - This District was created by the adoption of a resolution to establish a special service district by the Kane County Commission on January 1, 1980. The District was created to provide water utility service to residents of the District. A copy of the report can be obtained at the Kane County Auditor's office in Kanab, Utah.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- * East Zion Special Service District (Proprietary Fund Type) - This District was organized by Kane County Commissioners under the laws of the State of Utah on January 8, 2001. The District operates under a board of Directors and is authorized to operate wastewater collection and treatment facilities, and culinary water services to service all persons and property located within the boundaries of the District, and to provide all things related and necessary to carrying out these purposes. The Governing Board will be composed of not less than 3 or more than 5 members, all appointed by the County Commission upon recommendation of the owners of property within the District. The District was audited by other independent auditors, and their report, dated May 25, 2005, has been previously issued under separate cover. A copy of the can be obtained at the Kane County Auditor's office in Kanab, Utah.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Kane County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The B Road Fund receives funding from the State Department of Transportation to be expended on eligible B Roads in the County.

The Municipal Building Authority accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The Hospital Fund receives designated tax monies which are transferred to the local hospital for their debt service payment.

The Government also reports the following Other Governmental Funds:

Restaurant Tax, E-911, County Fair, Narcotics Task Force, Arena Revenue Bonds, Transient Room Tax, Special Payroll Funds, Council on Aging, Victims Advocate, Reimbursable Grant and Aero Division. These funds account for those revenue that are restricted to expenditures.

Additionally the Government reports the following fund type:

The Treasurer's Tax Collection Agency Fund is used to account for taxes collected by the County Treasurer but not paid as of December 31 to the taxing entities within the County.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements Other Than Buildings	20 Years
Equipment	5 Years

**KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences:

At December 31, 2004, the County was liable for vacation pay and compensatory time. The liability was computed according to the personnel policy and amounted to \$126,020.

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets and Budgetary Accounting:

The governing body of the entity is required establish the time and place of the public hearing to consider the adoption of the budget and to publish notice of the hearing at least seven days prior to the hearing in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the County Commission in the month of November, the County Auditor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the County Commission makes final adjustments to the tentative budget.
4. On or before December 15, the County Commission adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The County Commission may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the County Commission.
8. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Counties require Counties to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Tax Calendar:

- | | |
|-------------|--|
| January 1 | Lien Date - All property appraised based upon situs and status as of this date (real and personal). |
| March 1 | Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice. |
| June 22 | All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor. |
| July 22 | County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices. |
| September 1 | State Tax Commission approves tax rates. |
| November 1 | County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit. |
| November 1 | County auditor to charge the county treasurer to account for all taxes levied. |
| November 1 | County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings. |
| November 30 | Taxes on real property become delinquent. |

NOTE 2 - DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds. Each fund types portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year-end the carrying amount of the County's deposits for the Primary Government was \$1,053,614 and bank balance was \$1,173,667. Of the bank balances, \$100,000 was covered by federal depository insurance. At year-end the carrying amount of the component units was \$2,115,524 and the bank balance was \$2,158,605. Of the bank balance, \$489,904 was covered by federal depository insurance. Utah state statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

Statutes authorize the County to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standards & Poor's Corporation or P-1 by Moody's Commercial Paper Record, Bankers' acceptances, repurchase agreements and the state treasurer's investment pool. The County is also authorized to enter into reverse repurchase agreements. The County's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust agent or department in the County's name. Category 3 includes uninsured and unregistered investments unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the County's name.

Kane County's temporary investments in the Primary Government at December 31, 2004, consisted of the following:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Investments:				
Repurchase Agreements	<u>806,898</u>	<u>-</u>	<u>-</u>	806,898
Other Items:				
State Treasurer's Investment Pool				3,683,145
Cash In Escrow				<u>325</u>
Total Investments				<u>4,490,368</u>

A summary of restricted and unrestricted cash and temporary cash investments in the primary government per combined balance sheet is as follows:

Unrestricted Amounts	2,480,491
Restricted Amounts	<u>2,597,989</u>
Total	<u>5,078,480</u>

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Total cash for the County is shown in the statements as follows:

Statement of Net Assets	5,078,481
Statement of Agency Funds	<u>465,502</u>
Total	<u>5,543,983</u>

At December 31, 2004, investments for the component units consisted of the following:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Other Items:				
State Treasurer's Investment Pool				<u>1,293,588</u>
Total Investments				<u>1,293,588</u>

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

NOTE 3 - REVENUE RECOGNITION - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent January 15 of the following year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

NOTE 4 - DUE FROM OTHER GOVERNMENT UNITS

Due from other governmental units is comprised of the following:

Class B Road Allotment - State of Utah	252,249
Narcotics Strike Force - State Reimbursement	21,245
Forest Reserve	18,371
Council on Aging	50,915
Other Grants	21,515
Special Service Districts Payroll Reimbursements	<u>51,483</u>
Total	<u>415,778</u>

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2004, was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	994,336	-	-	994,336
Rights of Way	6,569,819	-	-	6,569,819
Infrastructure	<u>8,925,738</u>	<u>-</u>	<u>-</u>	<u>8,925,738</u>
 Total Capital Assets Not Being Depreciated	 <u>16,489,893</u>	 <u>-</u>	 <u>-</u>	 <u>16,489,893</u>
 Capital Assets Being Depreciated:				
Buildings	8,045,300	-	-	8,045,300
Equipment	<u>2,991,032</u>	<u>487,651</u>	<u>274,710</u>	<u>3,203,973</u>
 Total Capital Assets Being Depreciated	 <u>11,036,332</u>	 <u>487,651</u>	 <u>274,710</u>	 <u>11,249,273</u>
 Less Accumulated Depreciation For:				
Buildings	2,617,967	267,177	-	2,885,144
Equipment	<u>1,394,637</u>	<u>365,992</u>	<u>105,662</u>	<u>1,654,967</u>
 Total Accumulated Depreciation	 <u>4,012,604</u>	 <u>633,169</u>	 <u>105,662</u>	 <u>4,540,111</u>
 Total Capital Assets Being Depreciated (Net)	 <u>7,023,728</u>	 <u>(145,518)</u>	 <u>169,048</u>	 <u>6,709,162</u>
 Governmental Activities Capital Assets, Net	 <u><u>23,513,621</u></u>	 <u><u>(145,518)</u></u>	 <u><u>169,048</u></u>	 <u><u>23,199,055</u></u>

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

General Government	294,700
Public Safety	82,711
Highways and Public Improvements	247,718
Parks and Recreation	<u>8,040</u>
Total Depreciation Expense	<u><u>633,169</u></u>

Component Units:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Being Depreciated:				
Buildings	395,033	-	-	395,033
Equipment	<u>32,677</u>	<u>131,971</u>	<u>-</u>	<u>164,648</u>
Total Capital Assets Being Depreciated	<u>427,710</u>	<u>131,971</u>	<u>-</u>	<u>559,681</u>
Less Accumulated Depreciation For:				
Buildings	35,116	8,779	-	43,895
Equipment	<u>6,953</u>	<u>5,482</u>	<u>-</u>	<u>12,435</u>
Total Accumulated Depreciation	<u>42,069</u>	<u>14,261</u>	<u>-</u>	<u>56,330</u>
Total Capital Assets Being Depreciated (Net)	<u>385,641</u>	<u>117,710</u>	<u>-</u>	<u>503,351</u>
Governmental Activities Capital Assets, Net	<u>385,641</u>	<u>117,710</u>	<u>-</u>	<u>503,351</u>

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	<u>249,314</u>	<u>-</u>	<u>-</u>	<u>249,314</u>
 Total Capital Assets Not Being Depreciated	<u>249,314</u>	<u>-</u>	<u>-</u>	<u>249,314</u>
 Capital Assets Being Depreciated:				
Buildings	5,484,288	1,232	-	5,485,520
Improvements	2,025,079	-	-	2,025,079
Equipment	<u>5,456,770</u>	<u>374,429</u>	<u>-</u>	<u>5,831,199</u>
 Total Capital Assets Being Depreciated	<u>12,966,137</u>	<u>375,661</u>	<u>-</u>	<u>13,341,798</u>
 Less Accumulated Depreciation For:				
Buildings	1,443,839	224,239	-	1,668,078
Improvements	522,743	58,412	-	581,155
Equipment	<u>3,301,212</u>	<u>485,945</u>	<u>-</u>	<u>3,787,157</u>
 Total Accumulated Depreciation	<u>5,267,794</u>	<u>768,596</u>	<u>-</u>	<u>6,036,390</u>
 Total Capital Assets Being Depreciated (Net)	<u>7,698,343</u>	<u>(392,935)</u>	<u>-</u>	<u>7,305,408</u>
 Business Type Activities Capital Assets, Net	<u>7,947,657</u>	<u>(392,935)</u>	<u>-</u>	<u>7,554,722</u>
 Total - Government Wide	<u><u>8,333,298</u></u>	<u><u>(275,225)</u></u>	<u><u>-</u></u>	<u><u>8,058,073</u></u>

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 6 - HOSPITAL GENERAL OBLIGATION BONDS

During 1996 the County issued \$6,000,000 in Hospital General Obligation Bonds for the purpose of funding the construction of a new hospital facility in Kanab, Utah. The County also approved a 1% increase in the sales tax rate to insure the debt service payment of approximately \$515,000 per year including interest at an average rate of 4.835%. The County will collect the sales tax monies and then make a contribution to the hospital who will then make the debt service payment. The County owns the hospital facility but the operations of the hospital are being conducted by the Kane County Human Resources Special Service District, a component unity of Kane County.

NOTE 7 - ARENA REVENUE BONDS

During 1996 the County issued \$268,000 of Arena Revenue Bonds to fund the construction of a new rodeo arena. These funds were recorded in the General Fund and construction costs were paid out of the Economic Development budget in the General Fund. However, \$26,800 of the bond proceeds were recorded in the Debt Service Fund since these monies will be held and used to make the final payment on the outstanding bonds. This bond was retired during the year.

NOTE 8 - LONG-TERM DEBT

General Obligation and Revenue Bonds:

Bonded Long-Term Debt for the primary government consists of the following at December 31, 2004:

Courthouse MBA Lease Revenue Bond of \$1,000,000 payable in annual installments of varying amounts including interest at 2.5%.	1,000,000
Hospital Refunding Revenue Bonds payable to Washington Mutual Bank over six years with semi-annual payments including interest at 3.83%.	<u>1,724,428</u>
Total Bonds	<u><u>2,724,428</u></u>

Courthouse Lease Revenue Bonds:

During the 2002 year Kane County issued lease revenue bonds in the amount of \$1,000,000 for the purpose of financing the costs of constructing improvements to the courthouse facilities. The bonds require annual payments of varying amounts including interest at 2.5%.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	56,000	25,000	81,000
2006	57,000	23,600	80,600
2007	58,000	22,175	80,175
2008	60,000	20,725	80,725
2009	61,000	19,225	80,225
2010-2014	330,000	72,500	402,500
2015-2019	<u>378,000</u>	<u>28,750</u>	<u>406,750</u>
	<u>1,000,000</u>	<u>211,975</u>	<u>1,211,975</u>

Kane County Hospital Revenue Bonds:

During the 2003 year the Kane County residents approved the issuance of revenue bonds in the amount of \$2,500,000 through the reenactment of the 1% hospital sales tax. The proceeds of the bonds issued were used to retire the outstanding general obligation bonds in the amount of \$892,000 plus interest. The remaining net funds were placed in a hospital escrow account to be used for capital outlays for the hospital. The County Commission must approve all expenditures of said funds.

The bonds require semi-annual payments including interest at 3.83%. The County will retain 50% of the 1% sales tax or an amount required to meet the bond obligation.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	406,153	64,847	471,000
2006	422,078	48,922	471,000
2007	438,627	32,373	471,000
2008	<u>457,570</u>	<u>15,225</u>	<u>472,795</u>
	<u>1,724,428</u>	<u>161,367</u>	<u>1,885,795</u>

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in General Obligation and Revenue Bonds:

Bond Issue:	Date of Issue	Interest Rate	Total Issued	Outstanding December 31, 2003	Issued	Matured	Outstanding December 31, 2004
Revenue Bonds: Arena	1996	5.2% - 5.75%	268,000	96,000	-	96,000	-
Revenue Bonds Payable Courthouse MBA	2002	2.5%	1,000,000	1,000,000	-	-	1,000,000
33 Hospital Refunding Revenue Bond	2003	3.83%	2,500,000	2,115,036	-	390,608	1,724,428
			<u>3,768,000</u>	<u>3,211,036</u>	<u>-</u>	<u>486,608</u>	<u>2,724,428</u>

Maturity of General Obligation and Revenue Bonds Payable over next five years and thereafter is as follows:

	Principal	Interest	Total
2005	462,153	89,847	552,000
2006	479,078	72,522	551,600
2007	496,627	54,548	551,175
2008	517,570	35,950	553,520
2009	61,000	19,225	80,225
2010-2014	330,000	72,500	402,500
2015-2019	<u>378,000</u>	<u>28,750</u>	<u>406,750</u>
	<u>2,724,428</u>	<u>373,342</u>	<u>3,097,770</u>

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Capital Leases:

The County has entered into lease agreements for financing the acquisition of equipment for the Road Department. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2004, were as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Payment</u> <u>Amounts</u>
2005	37,006
2006	<u>37,006</u>
Total Minimum Lease Payments	74,012
Less Amount Representing Interest	<u>(4,214)</u>
Present Value of Minimum Lease Payments	<u><u>69,798</u></u>

Compensated Absences - Vacation and Sick Leave:

At December 31, 2004, the County was liable for vacation pay and compensatory time. The liability of \$126,020 was computed according to the personnel policy.

	<u>Balance</u> <u>December 31,</u> <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2004</u>
Compensated Absences				
Vacation/Sick Leave	<u>114,575</u>	<u>11,445</u>	<u>-</u>	<u><u>126,020</u></u>

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Component Units:

Long-Term Debt for the component units consists of the following at December 31, 2004:

	Balance December 31, 2003	Issued	Retired	Balance December 31, 2004
General Obligation Bonds	2,926,746	-	436,318	2,490,428
Lease Revenue Bonds	186,239	-	21,870	164,369
Water Revenue Bonds	375,806	-	23,196	352,610
Total	<u>3,488,791</u>	<u>-</u>	<u>481,384</u>	<u>3,007,407</u>

The following is a five year summary of debt service charges to maturity for component units:

	Principal	Interest	Total
2005	498,487	108,188	606,675
2006	517,308	89,231	606,539
2007	537,544	69,393	606,937
2008	561,145	48,704	609,849
2009	87,865	29,658	117,523
2010-2014	485,609	100,630	586,239
2015-2019	319,449	20,778	340,227
Total	<u>3,007,407</u>	<u>466,582</u>	<u>3,473,989</u>

NOTE 9 - MUNICIPAL BUILDING AUTHORITY

During 1996 the County commissioners established a Municipal Building Authority for the purpose of acquiring, improving or extending improvements, facilities or properties and appurtenances to them which the Board of County Commissioners is authorized or permitted by law to acquire. The Building Authority will issue its bonds, notes or other evidences of indebtedness to acquire funds to pay the costs of such projects. The Authority will be funded initially by receipt of the 1% restaurant tax imposed by the County.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 10 - CLASS B ROADS

The following is a schedule of changes in Class B Roads - Reserved Fund Balance:

Reserved Fund Balance - Beginning of Year		3,053,792
Revenues:		
State Allotment	1,043,259	
Reimbursements	40,838	
Other	<u>74,476</u>	
Total Revenues		1,158,573
Expenditures:		
Salaries and Fringe Benefits	372,554	
Supplies and Maintenance	43,934	
Legal and Professional	57,301	
Materials and Contracts	975,425	
Equipment Purchases	181,726	
Other	<u>19,203</u>	
Total Expenditures		<u>1,650,143</u>
Reserved Fund Balance - End of Year		<u><u>2,562,222</u></u>

NOTE 11 - MUNICIPAL BUILDING AUTHORITY

The following is a schedule of changes in the Municipal Building Authority:

Fund Balance - Beginning of Year		1,320,471
Revenue:		
Taxes	6,000	
Other	<u>32,350</u>	
Total Revenue		38,350
Expenditures:		
Revenue Returned	228,133	
Other	<u>2,642</u>	
Costs on Proposed Courthouse Addition		<u>230,775</u>
Fund Balance - End of Year		<u><u>1,128,046</u></u>

**KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2004

NOTE 12 - TRANSIENT ROOM TAX

The Special Revenue Fund of the County accounts for the receipts and disbursements of Transient Room Tax. This tax money is designated to be spent to promote tourism within the County. The tax money is derived from a 3% tax on transient room rentals in the County.

NOTE 13 - FUND BALANCE

In the General Fund, \$379,928 of the fund balance was appropriated and included in the 2005 budget for the County as a source of revenue. The unreserved fund balance at December 31, 2004 was \$1,166,688.

NOTE 14 - NARCOTICS STRIKE FORCE - A SPECIAL REVENUE FUND

The Kane County Narcotics Strike Force is a multi-jurisdictional organization created to continue to enhance cooperation between Federal, State, and Local criminal justice agencies and prosecutors in developing better intelligence and successful investigation and prosecution of multi-jurisdictional crimes and their perpetrators. The Strike Force objective is the identification, apprehension and successful prosecution of narcotic conspirators and to enhance recovery of criminal assets.

The governing board consists of the following:

Kane County Sheriff's Office
Kane County Attorney
Kanab City Chief of Police
Orderville Chief of Police
Utah Department of Investigations
Iron County Task Force Coordinator
Strike Force Narcotics Agent

Kane County has no financial benefit or burden as a result of participating in the Narcotics Strike Force Organization. The County is not liable for any debts incurred by the Strike Force.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$406,559 shown on the Statement of Activities represents adjustments to the capital assets for the prior year.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 16 - TRANSFERS

<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	-	60,396
Fair	10,500	-
Council On Aging	43,896	-
Restaurant Tax	26,699	-
AERO	6,000	-
Revenue Bonds	-	26,699
	<u>87,095</u>	<u>87,095</u>

Transfers were made for the following purposes:

* The General Fund transferred \$10,500 to the Fair Board, \$43,896 to the Council on Aging and \$6,000 to the AERO Fund for operational activities.

* The Restaurant Tax Fund transferred \$26,699 to the Debt Service Funds for payment of related debt.

NOTE 17 - STATE OF UTAH RETIREMENT PLANS

Local Governmental - Cost Sharing

Plan Description:

Kane County contributes to the Local Governmental Noncontributory Retirement System and Public Safety Other Division A Contributory Retirement System for employers with Social Security coverage, both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 17 - STATE OF UTAH RETIREMENT PLANS (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the system to which they belong; 1.57% to the Public Safety Contributory System. Kane County is required to contribute a percent of covered salary to the respective systems, 11.90% to the Noncontributory and 18.42% to the Public Safety Contributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Kane County contributions to the various systems for the years ending December 31, 2004, 2003 and 2002 respectively were; for the Noncontributory System, \$122,546.15, \$102,240.11 and \$86,763.18; and for the Public Safety Contributory, \$73,154.96, \$58,308.96 and \$49,373.21 respectively. The contributions were equal to the required contributions for each year.

NOTE 18 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in the Utah Association of Counties Insurance Mutual, a self-funded risk financing pool administered by the Utah Association of Counties. Through the Mutual, the County maintains general liability, errors and omissions, flood, earthquake, newly acquired property, builders risk, unscheduled locations and crime. The Mutual is reinsured through commercial companies in excess of \$150,000 for property to a limit of \$250,150,000 and \$250,000 for liability to a limit of \$2,250,000 with a combined excess aggregate of \$2,250,000 to \$3,250,000.

The Mutual does not provide coverage for all risks and hazards, however, the County has obtained coverage for these risks through other commercial carriers for employee accidental death and dismemberment, workers compensation, and surety bond coverage.

In 2003 the County provided medical and health through a policy with IHC of Utah. The maximum out-of-pocket expense per person per year is \$1,000 or \$2,000 per family per year.

Claims have not exceeded coverage in any of the last three calendar years.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 19 - CONDENSED FINANCIAL STATEMENTS - DISCRETELY PRESENTED COMPONENT UNITS

Kane County has seven component units which are described as follows:

Governmental Fund Type:

Cedar Mountain Fire Protection District - The District provides fire protection to the residents of the District.

Kane County Recreation and Transportation Special Service District - The District provides recreation and transportation capital projects, exclusive of electronic sites, on a County wide basis.

Proprietary Fund Types:

Western Kane County Special Service District #1 - The District provides garbage disposal and television signal reception to the residents of Kane County.

Glen Canyon Special Service District #1 - The District was created to provide water utility service to the Town of Big Water, Utah.

Kane County Human Resource Special Service District, dba Kane County Hospital - The District provides health care facilities which consists of a hospital, ambulatory care facility, and ambulance service.

Church Wells Special Service District - The District provides water utility services to the residents of the District.

East Zion Special Service District - The District was created to provide wastewater collection and treatment facilities and culinary water utility service to all within the boundaries of the District.

Condensed financial statements for the year ended December 31, 2004 are on the following pages:

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 19 - CONDENSED FINANCIAL STATEMENTS - DISCRETELY PRESENTED COMPONENT UNITS
Condensed Financial Statements for the year ended December 31, 2004, is as follows:

Condensed Statement of Net Assets:

	Cedar Mountain Fire Protection District	Kane County Recreation and Transportation Special Service District	Western Kane County Special Service District	Glen Canyon Special Service District	Kane County Human Resource Special Service District	Church Wells Special Service District	East Zions Special Service District	Total
Current Assets	514,647	-	1,380,870	70,148	2,515,899	126,431	33,077	4,641,072
Noncurrent Assets:								
Restricted Cash	10,953	-	-	53,723	-	-	-	64,676
Other Noncurrent	-	-	201,200	-	958,136	-	21,455	1,180,791
Capital Assets (Net)	503,351	-	549,884	728,859	5,178,320	289,995	807,664	8,058,073
Total Assets	1,028,951	-	2,131,954	852,730	8,652,355	416,426	862,196	13,944,612
Liabilities:								
Current Liabilities	23,715	-	164,491	40,939	1,202,089	3,000	46,295	1,480,529
Noncurrent Liabilities:								
Long-Term Debt	140,654	-	-	314,012	1,319,254	43,000	692,000	2,508,920
Other Noncurrent Liabilities	-	-	59,500	-	-	-	-	59,500
Total Liabilities	164,369	-	223,991	354,951	2,521,343	46,000	738,295	4,048,949
Net Assets:								
Capital Assets - Net of Related Debt	338,982	-	527,093	394,228	3,485,549	243,995	92,119	5,081,966
Restricted	10,953	-	-	53,723	764,064	-	-	828,740
Unrestricted	514,647	-	1,380,870	49,828	1,881,399	126,431	31,782	3,984,957
Net Assets	864,582	-	1,907,963	497,779	6,131,012	370,426	123,901	9,895,663
Total Liabilities and Net Assets	1,028,951	-	2,131,954	852,730	8,652,355	416,426	862,196	13,944,612

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 19 - CONDENSED FINANCIAL STATEMENTS - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Condensed Statement of Revenues, Expenses and Changes in Net Assets:

Governmental Activities:

	Cedar Mountain Fire Protection District	Kane County Recreation and Transportation Special Service District	Total
Revenues	655,268	-	655,268
Current Expenses	(156,402)	-	(156,402)
Change in Net Assets	498,866	-	498,866
Net Assets - Beginning	365,716	-	365,716
Net Assets - Ending	864,582	-	864,582

Business Type Activities:

	Western Kane County Special Service District #1	Glen Canyon Special Service District #1	Kane County Human Resource Special Service District	Church Wells Special Service District	East Zions Special Service District	Total
Operating Revenue	618,634	140,719	7,137,249	54,983	131,536	8,083,121
Operating Expenses:						
Depreciation	(101,302)	(47,261)	(576,294)	(18,595)	(34,306)	(777,758)
Other	(409,048)	(111,230)	(6,336,636)	(21,509)	(65,921)	(6,944,344)
Operating Income (Loss)	108,284	(17,772)	224,319	14,879	31,309	361,019
Non-Operating Revenues:						
Other Income (Expense)	-	9,610	245,010	-	127,843	382,463
Interest Income	21,397	1,040	12,463	143	98	35,141
Interest Expense	-	(7,349)	(83,012)	(1,715)	(29,226)	(121,302)
Total Non-Operating Revenues	21,397	3,301	174,461	(1,572)	98,715	296,302
Change in Net Assets	129,681	(14,471)	398,780	13,307	130,024	657,321
Net Assets - Beginning	1,778,282	512,250	5,732,232	357,119	(6,123)	8,373,760
Net Assets - Ending	1,907,963	497,779	6,131,012	370,426	123,901	9,031,081

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is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**KANE COUNTY
CONDITION RATING OF THE COUNTY'S ROAD SYSTEM**

For The Year Ended December 31, 2004

Percentage of Lane-Miles in Good or Better Condition in 2002, 2003 and 2004:

	<u>Paved</u>	<u>Gravel</u>	<u>Dirt (Native)</u>	<u>Bridges</u>	<u>Overall System</u>
2002 Percentage	87	80	20	100	62
2003 Percentage	89	83	20	100	63
2004 Percentage	91	83	20	100	65

Percentage of Lane-Miles in Substandard Condition in 2002, 2003 and 2004:

	<u>Paved</u>	<u>Gravel</u>	<u>Dirt (Native)</u>	<u>Bridges</u>	<u>Overall System</u>
2002 Percentage	5	20	80	0	35
2003 Percentage	5	20	80	0	35
2004 Percentage	6	20	75	0	34

Comparison of Needed-to-Actual Maintenance/Preservation in 2002, 2003 and 2004 - Roads and Bridges:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Paved:			
Needed	370,474	422,827	452,000
Actual	390,300	421,849	430,000
Gravel:			
Needed	453,213	136,153	405,000
Actual	481,370	158,417	350,000
Dirt (Native):			
Needed	411,226	671,686	705,000
Actual	429,330	618,404	690,000
Overall System:			
Needed	1,234,913	1,230,666	1,562,000
Actual	1,301,000	1,198,670	1,470,000
Difference	<u>(66,087)</u>	<u>31,996</u>	<u>92,000</u>

The condition of road pavement is measured using the American... (AASHTO) pavement management system, which is based on stress factors found in pavement surfaces. The AASHTO pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good condition (70-100), fair condition (50-69), and substandard condition (less than 50). It is the County's policy to maintain at least 80 percent of its road system at a good or better condition level. No more than 20 percent should be in substandard condition for paved and gravel roads. It is also the County's policy to maintain at least 20 percent of its native road system at a good or better condition level. No more than 80 percent should be in substandard condition for native road system. Condition assessments are determined every year.

This schedule only presents the information for the last three years. GASB standards require reporting the last three complete condition assessments and needed-to-actual information for 5 years. However, the County implemented these new standards in 2002, and did not collect this information for the prior years. The County will continue to collect and retain this information so that over a period of five years it will be able to report the required information.

The condition of the County's bridges is determined using its Bridge Management and Inspection Program (BMIP). The bridge condition rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical condition scale ranging from 1.0 (impaired or load restricted) to 7.0 (new). It is the County's policy to keep the number and square footage of deck area of bridges with a condition rating of 1.0 to 1.9 below 1 percent. All bridges are inspected every two years.

**KANE COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, January 1	<u>1,036,764</u>	<u>1,036,764</u>	<u>1,036,764</u>	<u>-</u>
Resources (Inflows):				
Property Taxes	1,620,405	1,620,405	1,843,712	223,307
Sales Taxes	400,000	400,000	336,958	(63,042)
Licenses and Permits	168,600	168,600	219,340	50,740
Intergovernmental Revenue	738,369	738,369	815,022	76,653
Charges for Services	389,200	389,200	326,219	(62,981)
Fines and Forfeitures	304,000	304,000	338,000	34,000
Miscellaneous Revenue	77,000	123,395	60,945	(62,450)
Use of Surplus	<u>379,929</u>	<u>445,815</u>	<u>-</u>	<u>(445,815)</u>
Total Resources	<u>4,077,503</u>	<u>4,189,784</u>	<u>3,940,196</u>	<u>(249,588)</u>
Amounts Available for Appropriation	<u>5,114,267</u>	<u>5,226,548</u>	<u>4,976,960</u>	<u>(249,588)</u>
Charges to Appropriations (Outflows):				
General Government:				
Commission	128,649	128,649	101,933	26,716
Legal and Technical Assistance	45,000	45,000	42,686	2,314
Human Resources	36,825	39,825	36,130	3,695
Volunteer Center/Vista	15,000	15,000	15,000	0
District Court	84,476	84,576	63,995	20,581
J. P. Court	141,646	150,941	141,062	9,879
Public Defender	46,936	44,936	34,135	10,801
Law Library	8,500	8,500	7,206	1,294
Data Processing	146,529	146,529	137,294	9,235
Clerk-Auditor	92,811	93,211	83,825	9,386
Treasurer	94,400	94,400	92,241	2,159
Recorder	117,174	117,174	115,580	1,594
Attorney	199,912	207,034	200,750	6,284
Assessor	207,349	210,399	207,682	2,717
Motor Vehicles	45,407	45,113	44,855	258
Non-Departmental	732,809	777,809	686,854	90,955
Building and Grounds	248,984	248,984	220,990	27,994
Elections	36,240	36,240	22,239	14,001
Council On Aging	33,911	33,911	25,904	8,007
Planning and Zoning	<u>30,589</u>	<u>44,792</u>	<u>32,002</u>	<u>12,790</u>
Total General Government	<u>2,493,147</u>	<u>2,573,023</u>	<u>2,312,363</u>	<u>260,660</u>

**KANE COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows) Continued:				
Public Safety:				
Sheriff	624,059	624,059	615,454	8,605
Dispatch Services	229,249	243,731	227,593	16,138
Emergency Services	33,700	33,700	10,972	22,728
Fire Suppression	81,000	81,000	57,648	23,352
County Jail	291,507	307,534	302,019	5,515
Building Inspector	100,374	100,874	69,751	31,123
Total Public Safety	1,359,889	1,390,898	1,283,437	107,461
Health and Public Welfare:				
Health Services	42,980	44,036	43,651	385
Public Welfare	3,500	3,500	1,093	3,500
Total Health and Public Welfare	46,480	47,536	44,744	2,792
Highway and Public Improvements	12,780	12,781	12,780	1
Parks, Recreation and Public Property	39,699	40,037	40,037	-
Extension Office	34,112	34,113	31,003	3,110
Contributions	31,000	31,000	25,512	5,488
Transfers	60,396	60,396	60,396	-
Total Charges to Appropriations	4,077,503	4,189,784	3,810,272	379,512
Budgetary Fund Balance - December 31	1,036,764	1,036,764	1,166,688	129,924

**KANE COUNTY
BUDGETARY COMPARISON SCHEDULE
CLASS B ROAD**

For The Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Budgetary Fund Balance, January 1	<u>3,053,792</u>	<u>3,053,792</u>	<u>3,053,792</u>	<u>-</u>
Resources (Inflows):				
Intergovernmental	1,012,035	1,012,035	1,043,259	31,224
Charges for Services	-	-	40,838	40,838
Miscellaneous	<u>529,548</u>	<u>707,548</u>	<u>74,476</u>	<u>(633,072)</u>
Total Resources	<u>1,541,583</u>	<u>1,719,583</u>	<u>1,158,573</u>	<u>(561,010)</u>
Amounts Available for Appropriation	<u>4,595,375</u>	<u>4,773,375</u>	<u>4,212,365</u>	<u>(561,010)</u>
Charges to Appropriations (Outflows):				
County Roads	<u>1,541,583</u>	<u>1,719,583</u>	<u>1,650,143</u>	<u>69,440</u>
Total Charges to Appropriations	<u>1,541,583</u>	<u>1,719,583</u>	<u>1,650,143</u>	<u>69,440</u>
Budgetary Fund Balance - December 31	<u><u>3,053,792</u></u>	<u><u>3,053,792</u></u>	<u><u>2,562,222</u></u>	<u><u>(491,570)</u></u>

**KANE COUNTY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL BUILDING AUTHORITY**

For The Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Budgetary Fund Balance, January 1	<u>1,320,471</u>	<u>1,320,471</u>	<u>1,320,471</u>	<u>-</u>
Resources (Inflows):				
Miscellaneous	<u>-</u>	<u>-</u>	<u>38,350</u>	<u>38,350</u>
Prior Years Surplus	<u>1,300,000</u>	<u>1,300,000</u>	<u>-</u>	<u>(1,300,000)</u>
Total Resources	<u>1,300,000</u>	<u>1,300,000</u>	<u>38,350</u>	<u>(1,261,650)</u>
Amounts Available for Appropriation	<u>2,620,471</u>	<u>2,620,471</u>	<u>1,358,821</u>	<u>(1,261,650)</u>
Charges to Appropriations (Outflows):				
Miscellaneous	<u>1,300,000</u>	<u>1,300,000</u>	<u>230,776</u>	<u>1,069,224</u>
Total Charges to Appropriations	<u>1,300,000</u>	<u>1,300,000</u>	<u>230,776</u>	<u>1,069,224</u>
Budgetary Fund Balance - December 31	<u>1,320,471</u>	<u>1,320,471</u>	<u>1,128,045</u>	<u>(192,426)</u>

**KANE COUNTY
BUDGETARY COMPARISON SCHEDULE
HOSPITAL FUND**

For The Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Budgetary Fund Balance, January 1	<u>24,075</u>	<u>24,075</u>	<u>24,075</u>	<u>-</u>
Resources (Inflows):				
Tax Proceeds	1,130,000	1,130,000	992,570	(137,430)
Intergovernmental	-	-	134,137	134,137
Other	<u>-</u>	<u>-</u>	<u>2,739</u>	<u>2,739</u>
Total Resources	<u>1,130,000</u>	<u>1,130,000</u>	<u>1,129,446</u>	<u>(554)</u>
Amounts Available for Appropriation	<u>1,154,075</u>	<u>1,154,075</u>	<u>1,153,521</u>	<u>(554)</u>
Charges to Appropriations (Outflows):				
Hospital Operations	649,000	649,000	626,682	22,318
Bond Principal Payments	400,000	400,000	390,608	9,392
Bond Interest Payments	<u>81,000</u>	<u>81,000</u>	<u>80,350</u>	<u>650</u>
Total Charges to Appropriations	<u>1,130,000</u>	<u>1,130,000</u>	<u>1,097,640</u>	<u>32,360</u>
Budgetary Fund Balance - December 31	<u><u>24,075</u></u>	<u><u>24,075</u></u>	<u><u>55,881</u></u>	<u><u>31,806</u></u>

**KANE COUNTY
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Year Ended December 31, 2004

	<u>General Fund</u>	<u>Class B Road</u>	<u>Municipal Building Authority</u>	<u>Hospital</u>
Sources/Inflows and Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	5,002,349	4,212,365	1,358,821	1,153,521
Differences - Budget to GAAP:				
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(1,036,764)	(3,053,792)	(1,320,471)	(24,075)
Bond proceeds are inflows of budgetary resources but are not revenues for financial reporting purposes but are other financing sources.	-	-	-	-
Total revenues as reported on the statement of revenues, revenues, expenditures and changes in fund balances - governmental funds.	<u>3,965,585</u>	<u>1,158,573</u>	<u>38,350</u>	<u>1,129,446</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules.	3,810,272	1,650,143	230,776	1,097,640
Differences - Budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(60,396)	-	-	-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>3,749,876</u>	<u>1,650,143</u>	<u>230,776</u>	<u>1,097,640</u>

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

(This page contains no information and
is used to assist in formatting, for easier reading)

KANE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For The Year Ended December 31, 2004

	Balance December 31, 2003	Additions	Deletions	Balance December 31, 2004
PROPERTY TAX FUND				
ASSETS				
Cash	375,550	7,383,549	7,388,660	370,439
Taxes Receivable	70,221	32,030	70,221	32,030
TOTAL ASSETS	<u>445,771</u>	<u>7,415,579</u>	<u>7,458,881</u>	<u>402,469</u>
LIABILITIES				
Due to Taxing Units	445,125	7,266,155	7,311,102	400,178
Collections Payable	646	79,203	77,558	2,291
TOTAL LIABILITIES	<u>445,771</u>	<u>7,345,358</u>	<u>7,388,660</u>	<u>402,469</u>
CLERK'S TRUST FUND				
ASSETS				
Cash	112,037	383,160	400,270	94,927
LIABILITIES				
Collections Payable	112,037	383,160	400,270	94,927
PAYROLL TRUST FUND				
ASSETS				
Cash	1,381	2,484,224	2,485,469	136
LIABILITIES				
Collections Payable	1,381	2,484,224	2,485,469	136
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	488,968	10,250,933	10,274,399	465,502
Taxes Receivable	70,221	32,030	70,221	32,030
TOTAL ASSETS	<u>559,189</u>	<u>10,282,963</u>	<u>10,344,620</u>	<u>497,532</u>
LIABILITIES				
Due to Taxing Units	445,125	7,266,155	7,311,102	400,178
Collections Payable	114,064	2,946,587	2,963,297	97,354
TOTAL LIABILITIES	<u>559,189</u>	<u>10,212,742</u>	<u>10,274,399</u>	<u>497,532</u>

**KANE COUNTY
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE AND DEBT SERVICE FUNDS**

For The Year Ended December 31, 2004

SPECIAL REVENUE

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

E-911 Fund:

This fund is used to account for monies collected on telephone bills for providing 911 emergency services in the County.

County Fair:

This fund is used to account for monies collected and expended for the County Fair.

Council on Aging:

This fund is used to account for monies collected and expended on activities for the senior citizens.

Municipal Building Authority:

This fund is used to construct public facilities in the County and to pay the indebtedness related to the cost of those facilities. This fund collects restaurant tax monies to make the debt service payments.

Victims Advocate Fund:

This fund receives monies to be used to help victims of crimes within the County.

Grants and Reimbursements Fund:

This fund accounts for special grants and reimbursements received by the County.

Transient Room Tax Fund:

This fund is used to account for room taxes collected within the County to fund promotion of Kane County.

Glen Canyon and Cedar Mountain Special Service District Payroll Funds:

These funds are used to collect monies from the Special Service Districts for providing payroll services for the Districts.

**KANE COUNTY
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE AND DEBT SERVICE FUNDS**

For The Year Ended December 31, 2004

AERO Division Fund:

This fund is used to maintain and operate the County airplane.

Narcotics Task Force Fund:

This fund is used to account for the activities of the narcotics task force in the County. These funds are restricted for providing law enforcement activities regarding illegal drug use in the County.

DEBT SERVICE FUNDS

Debt Service Funds are used to service debt of governmental fund type activities.

Arena Revenue Bond Fund:

This fund services debt related to the construction of the County rodeo arena facilities.

**KANE COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2004

	<u>Enhanced 911</u>	<u>County Fair</u>	<u>Council On Aging</u>	<u>MBA 1% Restaurant Tax</u>	<u>Victims Advocate</u>
ASSETS					
Cash	43,731	1,419	202	180,933	8,611
Restricted Cash:					
Bond Reserves	-	-	-	-	-
Due from Other Gov't Units	-	-	50,915	-	2,516
TOTAL ASSETS	<u>43,731</u>	<u>1,419</u>	<u>51,117</u>	<u>180,933</u>	<u>11,127</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	746	-	536	124	149
Total Liabilities	<u>746</u>	<u>-</u>	<u>536</u>	<u>124</u>	<u>149</u>
Fund Balances:					
Unreserved, Reported in:					
Debt Service Fund	-	-	-	-	-
Special Revenue Funds	42,985	1,419	50,581	180,809	10,978
Total Fund Balances	<u>42,985</u>	<u>1,419</u>	<u>50,581</u>	<u>180,809</u>	<u>10,978</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>43,731</u>	<u>1,419</u>	<u>51,117</u>	<u>180,933</u>	<u>11,127</u>

<u>Grants and Reimburs.</u>	<u>Transient Room Tax</u>	<u>Glen Canyon SSD Payroll</u>	<u>Cedar Mountain FPD Payroll</u>	<u>AERO Division</u>	<u>Strike Force</u>	<u>Arena Revenue Bonds</u>	<u>Nonmajor Gov't Funds</u>
(10,321)	37,488	(833)	(50,257)	136,802	42,577	-	390,352
-	-	-	-	-	-	336	336
19,000	-	833	50,649	-	21,245	-	145,158
<u>8,679</u>	<u>37,488</u>	<u>-</u>	<u>392</u>	<u>136,802</u>	<u>63,822</u>	<u>336</u>	<u>535,846</u>
-	2,057	-	392	-	928	-	4,932
-	2,057	-	392	-	928	-	4,932
-	-	-	-	-	-	336	336
8,679	35,431	-	-	136,802	62,894	-	530,578
8,679	35,431	-	-	136,802	62,894	336	530,914
<u>8,679</u>	<u>37,488</u>	<u>-</u>	<u>392</u>	<u>136,802</u>	<u>63,822</u>	<u>336</u>	<u>535,846</u>

KANE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2004

	Enhanced 911	County Fair	Council On Aging	MBA 1% Restaurant Tax	Victims Advocate
Revenues:					
1% Restaurant Tax	-	-	-	88,577	-
Transient Room Tax	-	-	-	-	-
Intergovernmental Revenue	-	-	127,729	-	19,461
Charges for Services	-	-	-	-	-
Interest	1,326	77	22	4,425	-
Miscellaneous	27,798	895	23,029	-	-
Total Revenues	29,124	972	150,780	93,002	19,461
Expenditures:					
Current:					
General Government	-	-	-	-	-
Public Safety	40,486	-	-	-	19,610
Public Health	-	-	168,728	-	-
Parks and Recreation	-	-	-	2,164	-
County Promotion	-	18,106	-	-	-
Debt Service:					
Principal	-	-	-	96,000	-
Interest	-	-	-	4,838	-
Total Expenditures	40,486	18,106	168,728	103,002	19,610
Excess of Revenues Over (Under) Expenditures	(11,362)	(17,134)	(17,948)	(10,000)	(149)
Other Financing Sources (Uses):					
Transfer In (Out)	-	10,500	43,896	26,699	-
Net Change in Fund Balance	(11,362)	(6,634)	25,948	16,699	(149)
Fund Balances - Beginning	54,347	8,053	24,633	164,110	11,127
Fund Balances - Ending	42,985	1,419	50,581	180,809	10,978

<u>Grants and Reimburs.</u>	<u>Transient Room Tax</u>	<u>Glen Canyon SSD Payroll</u>	<u>Cedar Mountain FPD Payroll</u>	<u>AERO Division</u>	<u>Strike Force</u>	<u>Arena Revenue Bonds</u>	<u>Nonmajor Gov't Funds</u>
-	-	-	-	-	-	-	88,577
-	300,956	-	-	-	-	-	300,956
19,000	-	-	-	-	96,129	-	262,319
-	-	87,144	-	-	-	-	87,144
-	-	-	-	-	-	233	6,083
<u>12,458</u>	<u>10,061</u>	<u>-</u>	<u>50,151</u>	<u>152,223</u>	<u>27,776</u>	<u>-</u>	<u>304,391</u>
<u>31,458</u>	<u>311,017</u>	<u>87,144</u>	<u>50,151</u>	<u>152,223</u>	<u>123,905</u>	<u>233</u>	<u>1,049,470</u>
31,458	-	87,144	50,151	-	-	-	168,753
-	-	-	-	25,940	132,852	-	218,888
-	-	-	-	-	-	-	168,728
-	-	-	-	-	-	194	2,358
-	299,861	-	-	-	-	-	317,967
-	-	-	-	-	-	-	96,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,838</u>
<u>31,458</u>	<u>299,861</u>	<u>87,144</u>	<u>50,151</u>	<u>25,940</u>	<u>132,852</u>	<u>194</u>	<u>977,532</u>
-	11,156	-	-	126,283	(8,947)	39	71,938
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>(26,699)</u>	<u>60,396</u>
-	11,156	-	-	132,283	(8,947)	(26,660)	132,334
<u>8,679</u>	<u>24,275</u>	<u>-</u>	<u>-</u>	<u>4,519</u>	<u>71,841</u>	<u>26,996</u>	<u>398,580</u>
<u>8,679</u>	<u>35,431</u>	<u>-</u>	<u>-</u>	<u>136,802</u>	<u>62,894</u>	<u>336</u>	<u>530,914</u>

**KANE COUNTY
TREASURER'S TAX COLLECTION TRUST FUND
BALANCE SHEET**

December 31, 2004

Assets:

Cash In Checking	370,439
Taxes Receivable	<u>32,030</u>
Total Assets	<u><u>402,469</u></u>

Liabilities:

Refunds Payable	2,291
Due to Taxing Units	<u>400,178</u>
Total Liabilities	<u><u>402,469</u></u>

**KANE COUNTY
COUNTY TREASURER
CURRENT YEAR TAXABLE VALUES
December 31, 2004**

TAXING UNITS	Real Property Values	Centrally Assessed Values	Total Real and Centrally Assessed Values	Total Real and Centrally Assessed Tax Rates	Taxes Charged	Personal Property Values	Personal Property Tax Rates	Personal Property Taxes Charged	Total Taxes Charged
County Funds:									
General	579,191,040	20,442,815	599,633,855	.001860	1,115,319	16,159,510	.001905	30,784	1,146,103
State Assessing/Collecting	579,191,040	20,442,815	599,633,855	.000180	107,934	16,159,510	.000181	2,925	110,859
Local Assessing/Collecting	579,191,040	20,442,815	599,633,855	.000127	76,154	16,159,510	.000130	2,101	78,255
Total County Funds					<u>1,299,407</u>			<u>35,809</u>	<u>1,335,217</u>
Kane County School District	579,191,040	20,442,815	599,633,855	.004630	<u>2,776,305</u>	16,159,510	.005145	<u>83,141</u>	<u>2,859,445</u>
Cities and Towns:									
Alton	3,753,494	56,297	3,809,791	.003763	14,336	113,812	.003675	418	14,755
Glendale	10,714,230	410,681	11,124,911	.002584	28,747	142,713	.002484	354	29,101
Kanab	149,362,176	4,184,238	153,546,414	.001923	295,270	4,169,747	.001973	8,227	303,497
Orderville	19,431,585	916,816	20,348,401	.002210	44,970	671,195	.002197	1,475	46,445
Big Water	23,669,327	409,503	24,078,830	.001651	39,754	293,767	.001660	488	40,242
Total Towns					<u>423,077</u>			<u>10,962</u>	<u>434,039</u>
Cedar Mountain Fire District	-	-	-	-	<u>436,140</u>	-	-	-	<u>436,140</u>
Cedar Mountain Snow Removal	-	-	-	-	<u>81,515</u>	-	-	-	<u>81,515</u>
West Kane County SSD #1	-	-	-	-	<u>163,925</u>	-	-	-	<u>163,925</u>
Glen Canyon SSD	-	-	-	-	<u>57,600</u>	-	-	-	<u>57,600</u>
East Zions SSD - Fire	-	-	-	-	<u>11,566</u>	-	-	-	<u>11,566</u>
East Zions SSD - Water	-	-	-	-	<u>89,419</u>	-	-	-	<u>89,419</u>
Church Wells SSD	2,875,754	61,440	2,937,194	.000490	<u>1,439</u>	44,455	.000480	<u>21</u>	<u>1,461</u>
Kane County Water Conservancy District	579,191,040	20,442,815	599,633,855	.000847	<u>507,890</u>	16,159,510	.000868	<u>14,026</u>	<u>521,916</u>
GRAND TOTALS					<u>5,848,283</u>			<u>143,960</u>	<u>5,910,728</u>

**KANE COUNTY
COUNTY TREASURER
STATEMENT OF TAXES CHARGED, COLLECTED AND DISBURSED
CURRENT AND PRIOR YEARS**

December 31, 2004

TAXING UNITS	Current Years Taxes				
	<u>Taxes Charged</u>	<u>Treasurer's Relief</u>			<u>Total Treasurer's Relief</u>
		<u>Unpaid Taxes</u>	<u>Abatements</u>	<u>Adjustments</u>	
County Funds:					
General	1,146,103	109,388	4,126	(1,515)	111,999
Debt Service	-	-	-	-	-
State Assessing/Collecting	110,859	10,586	399	(201)	10,784
Local Assessing/Collecting	<u>78,254</u>	<u>7,469</u>	<u>282</u>	<u>(104)</u>	<u>7,647</u>
Total County Funds	<u>1,335,216</u>	<u>127,443</u>	<u>4,807</u>	<u>(1,820)</u>	<u>130,430</u>
Kane County School District	<u>2,859,446</u>	<u>272,294</u>	<u>10,269</u>	<u>2,744</u>	<u>285,307</u>
Cities and Towns:					
Alton	14,755	979	-	(25)	954
Glendale	29,101	2,046	454	(22)	2,478
Kanab	303,497	24,925	2,507	(872)	26,560
Orderville	46,445	1,836	439	(80)	2,195
Big Water	<u>40,242</u>	<u>7,450</u>	<u>74</u>	<u>(21)</u>	<u>7,503</u>
Total Towns	<u>434,040</u>	<u>37,236</u>	<u>3,474</u>	<u>(1,020)</u>	<u>39,690</u>
Cedar Mountain Fire District	<u>436,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cedar Mountain Snow Removal	<u>81,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
West Kane County SSD #1	<u>163,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Glen Canyon SSD	<u>57,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
East Zions SSD - Fire	<u>11,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
East Zions SSD - Water	<u>89,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Church Wells SSD	<u>1,461</u>	<u>120</u>	<u>32</u>	<u>1</u>	<u>153</u>
Kane County Water Conservancy District	<u>521,916</u>	<u>49,813</u>	<u>1,878</u>	<u>(681)</u>	<u>51,010</u>
GRAND TOTALS	<u><u>5,992,244</u></u>	<u><u>486,906</u></u>	<u><u>20,460</u></u>	<u><u>(776)</u></u>	<u><u>506,590</u></u>

Current Years Taxes				Other Collections		
Taxes Collected	Percent	Penalties and Interest	Fee In Lieu	Motor Vehicle and Interest Collections	Delinquencies	
					Tax	Interest and Penalty
1,034,104	90.23%	6,313	256,252	12,012	110,940	39,090
-	-	-	-	-	342	51
100,075	90.27%	80	24,799	1,075	10,489	473
70,607	90.23%	57	17,497	758	7,660	345
1,204,786	90.23%	6,450	298,548	13,845	129,431	39,959
2,574,139	90.02%	2,067	637,875	29,892	291,222	12,409
13,801	93.53%	6	4,137	154	1,975	46
26,623	91.48%	12	6,756	229	3,478	239
276,937	91.25%	137	60,941	1,989	27,521	1,091
44,250	95.27%	8	10,176	354	2,331	116
32,739	81.36%	36	7,985	219	10,693	1,076
394,350	90.86%	199	89,995	2,945	45,998	2,568
436,140	100.00%	-	-	376	-	-
81,515	100.00%	-	-	70	-	-
163,925	100.00%	-	-	141	-	-
57,600	100.00%	-	-	50	-	-
11,566	100.00%	-	-	10	-	-
89,419	100.00%	-	-	77	-	-
1,308	89.53%	10	464	3	119	17
470,906	90.23%	378	116,691	5,469	50,970	2,254
5,485,654	91.55%	9,104	1,143,573	52,878	517,740	57,207

**KANE COUNTY
TAX COLLECTION TRUST FUND
CASH RECEIPTS AND DISBURSEMENTS**

For The Year Ended December 31, 2004

	Treasurer's Balance December 31, 2003	Tax Collection Receipts	Current Taxes Apportioned	Fee-In-Lieu Apportioned
Tax Collection Accounts:				
Current Years Taxes	-	5,485,653	(5,485,653)	-
Penalty and Interest	-	9,104	(9,104)	-
Fee-In-Lieu	-	1,143,573	-	(1,143,573)
Motor Carrier	-	48,249	-	-
Interest	-	4,629	-	-
Redemption of Prior Years Taxes	-	574,947	-	-
Refunds	646	76,912	-	-
Total Collections	<u>646</u>	<u>7,343,067</u>	<u>(5,494,757)</u>	<u>(1,143,573)</u>
Taxing Units:				
County General Fund	-	-	1,040,417	256,252
Debt Service	-	-	-	-
State Assessing and Collecting	-	-	100,155	24,799
Local Assessing and Collecting	-	-	70,665	17,497
Kane County School District	328,749	-	2,576,206	637,875
Cities and Towns:				
Alton	1,390	-	13,806	4,137
Glendale	3,231	-	26,635	6,756
Kanab	31,020	-	277,074	60,941
Orderville	5,397	-	44,258	10,176
Big Water	16,118	-	32,775	7,985
Cedar Mountain Fire District	120	-	517,655	-
West Kane County SSD#1	138	-	163,925	-
Glen Canyon SSD	47	-	57,600	-
East Zions SSD - Fire	8	-	11,566	-
East Zions SSD - Water	1,902	-	89,419	-
Church Wells SSD	158	-	1,317	464
Kane County Water Conservancy Dist.	56,847	-	471,284	116,691
Total Due Taxing Units	<u>445,125</u>	<u>-</u>	<u>5,494,757</u>	<u>1,143,573</u>
Grand Totals	<u>445,771</u>	<u>7,343,067</u>	<u>-</u>	<u>-</u>

<u>Motor Carrier Apportioned</u>	<u>Interest Apportioned</u>	<u>Delinquent Taxes Apportioned</u>	<u>Total</u>	<u>Disbursements</u>	<u>Treasurer's Balance December 31, 2004</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(48,249)	-	-	-	-	-
-	(4,629)	-	-	-	-
-	-	(574,947)	-	-	-
-	-	-	77,558	77,558	-
<u>(48,249)</u>	<u>(4,629)</u>	<u>(574,947)</u>	<u>77,558</u>	<u>77,558</u>	<u>-</u>
11,106	906	150,030	1,458,711	1,458,711	-
-	-	393	393	393	-
1,075	-	10,962	136,991	136,991	-
758	-	8,005	96,925	96,925	-
27,647	2,245	303,631	3,876,353	3,582,746	293,607
142	12	2,021	21,508	19,468	2,040
206	23	3,717	40,568	36,666	3,902
1,749	240	28,612	399,636	367,643	31,993
316	38	2,447	62,632	59,284	3,348
190	29	11,769	68,866	57,825	11,041
-	446	-	518,221	517,775	446
-	141	-	164,204	164,063	141
-	50	-	57,697	57,647	50
-	10	-	11,584	11,574	10
-	77	-	91,398	91,321	77
2	1	136	2,078	1,857	221
<u>5,058</u>	<u>411</u>	<u>53,224</u>	<u>703,515</u>	<u>650,213</u>	<u>53,302</u>
<u>48,249</u>	<u>4,629</u>	<u>574,947</u>	<u>7,711,280</u>	<u>7,311,102</u>	<u>400,178</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>7,788,838</u>	<u>7,388,660</u>	<u>400,178</u>

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is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants
A Professional Corporation

Box 663
Richfield, Utah 84701
Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING SNF ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board of County Commissioners
Kane County
Kanab, Utah 84741

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Kane County as and for the year ended December 31, 2004, which collectively comprise Kane County's basic financial statements and have issued our report thereon dated March 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kane County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kane County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Kane County in a separate letter dated March 4, 2005.

The Honorable Board of County Commissioners
Kane County
Page -2-

This report is intended solely for the information and use of the audit committee, management, County Commission and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

March 4, 2005
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board of County Commissioners
Kane County
Kanab, Utah 84741

We have audited the basic financial statements of Kane County, for the year ended December 31, 2004, and have issued our report thereon dated March 4, 2005. As part of our audit, we have audited Kane County's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005. The County received the following major State assistance programs from the State of Utah:

B Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)
Mineral Lease Distributions (Department of Transportation)

The County also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Kane County's financial statements.)

Bookmobile Grant (Department of Community and Economic Development)
Senior Nutrition (Department of Human Services)
EMS Grant (Department of Health)
AGR Grant (Department of Administrative Affairs)

Our audit also included testwork on the County's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

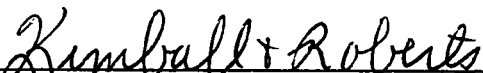
The management of Kane County is responsible for the County's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

The Honorable Board of County Commissioners
Kane County
Page -2-

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Kane County, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended December 31, 2004.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

March 4, 2005
Richfield, Utah

KANE COUNTY
MANAGEMENT LETTER
DECEMBER 31, 2004

Kimball & Roberts

Certified Public Accountants
A Professional Corporation

Box 663
Richfield, Utah 84701
Phone 896-6488

March 4, 2005

The Honorable Board of County Commissioners
Kane County
Kanab, Utah 84741

During our audit of the funds of Kane County for the year ended December 31, 2004, we noted areas needing corrective action in order for the County to be in compliance with state laws and regulations. We also found circumstances that, if improved, would strengthen the County's accounting system and control over its assets. These items are discussed below for your consideration.

COMPLIANCE:

Budgetary Compliance

The governing body of the entity is required to establish the time and place for the public hearing to consider the adoption of the budget and to publish notice of the hearing at least seven days prior to the hearing.

Finding:

During our audit we noted that the affidavit of publication shows that the budget hearing on December 8, 2003, to adopt the 2004 budget was published on December 3, 2003, which is less than the required seven days notice.

Recommendation:

We recommend that the County follow the State requirements for the public hearing notice to be published at least seven days prior to the hearing.

Response:

Kane County will post all affidavits properly and timely.

Cash Management

Utah Code 51-4-2(2) requires that all public funds be deposited daily, whenever practicable, but not later than three business days after receipt.

Finding:

During our test of cash receipts we noted that some receipts from the Justice Court Office and the Sheriff Fees are not being deposited within three days of receipt.

Recommendation:

We recommend that all public funds be deposited within three days of receipt.

Response:

Kane County Commission authorized additional funds for overtime to bring the receipting current in the Justice Court. All departments were reminded to meet the three day deposit guidelines.

INTERNAL CONTROLS:

Payroll

Finding:

In our audit of payroll we noted that improvements could be made in internal control over the processing of payroll.

Recommendation:

We recommend that the payroll edit list be reviewed by the Auditor's office noting employees names, pay rates and amounts prior to the processing of payroll.

Response:

Kane County is working on a viable way to verify the payroll with an appropriate check and balance.

Expenditures - Discounts

Finding:

During our test of expenditures we noted that some vendors offer a 2% discount if an invoice is paid before the 10th of the month or another set date. At present the County is not taking these discounts as offered.

Recommendation:

We recommend that these discounts be taken when offered. This can be accomplished by making the payments before the expiration of the offered discount.

Response:

Kane County will encourage department heads to present purchase orders for payment timely so that discounts can be taken.

Expenditures - Late Charges

Finding:

During our audit we noted there have been late charges paid on some invoices. One of the late charges resulted because the Auditor's office did not receive an invoice from the Long Valley Center for almost two months from the date of the invoice.

Recommendation:

We recommend that all departments submit approved purchase orders with supporting invoices to the Auditor's office at least weekly to enable the payment to the vendor in a timely manner. This will avoid any late charges and give the County the ability to take discounts if offered.

Response:

Kane County will encourage department heads to present purchase orders for payment timely so that late fees are avoided.

Justice Court

Finding:

During the State compliance tests for the Justice Court we noted that cash and checks were being held in a file cabinet until the cases could be addressed. The time these funds are kept is more than three business days as required by State law and presents a risk in this office.

Recommendation:

We recommend that the Justice Court review their system of internal controls and make improvements to their accounting system to insure that monies are deposited timely according to State law and that proper accounting is made for each receipt.

Response:

The Justice Court is currently locking up all files that are not actually being worked on that have money in them.

Use of County Vehicles

Finding:

During our review of County policy for use of County vehicles we noted that there was some concern regarding personal use of County vehicles.

The Honorable Board of County Commissioners
Kane County
Page -4-

Recommendation:

We recommend the Commission review these policies with department heads to insure that County vehicles are used properly and in the best interests of the County.

Response:

All vehicle usage is tied to an elected official and they are responsible to evaluate usage for the vehicles in their care.

We would like to take this opportunity to thank Kane County's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS
Certified Public Accountants

DKK/vl